MADISON COUNTY BOARD OF SUPERVISORS MEETING

Date: 2:00PM — Tuesday, January 25th, 2022
Location: Admin. Building Auditorium, 414 N. Main Street

MEETING #8 — February 24th

At a Budget Workshop (#3) of the Board of Supervisors on Thursday, February 24th at 2:00PM in the Admin. Building Auditorium:

PRESENT:
R. Clay Jackson, Chair
Carty Yowell, Vice-Chair
Charlotte Hoffman, Member
Dustin Dawson, Member
James Jewett, Member
Sean Gregg, County Attorney
Jonathon Weakley, County Administrator
Alan Berry, Deputy Clerk

ABSENT:

CALL TO ORDER, PLEDGE OF ALLEGIANCE & MOMENT OF SILENCE

Chairman Jackson called the Board to order.

DETERMINE PRESENCE OF A QUORUM/ADOPTION OF AGENDA

Chairman Jackson advised that a quorum was present.

Supervisor Yowell made a motion to approve the agenda as presented, seconded by Supervisor Hoffman. ***Aye: Yowell, Hoffman, Dawson, Jewett. Absent: Jackson. Nay: (0).***

PUBLIC COMMENT

Chairman Jackson opened the floor to public comment. With no public comment being brought forth, the public comment opportunity was closed.

FY23 BUDGET WORKSHOP

The Board participated in a budget workshop that involved hearing from a series of 5 Outside Agencies and 9 County Departments.

PUBLIC COMMENT

Chairman Jackson opened the floor to public comment. With no public comment being brought forth, the public comment opportunity was closed.

CLOSED SESSION

ADJOURN

With there being no further business to conduct, Supervisor Yowell made a motion to recess the meeting until 7:00PM on March 2nd, 2022, in the Administration Building Auditorium, seconded by Supervisor Dawson. ***Aye: Jackson, Yowell, Hoffman, Dawson, Jewett. Nay: (0).***

Memorandum

To: Madison County Board of Supervisors
Madison County School Board
From: James H Smith
Date: 24 February 2022
CC: files
Re: 2022 Budget

IT'S BUDGET TIME

Many of us have been blessed with children of our own; some have been around the toddlers of siblings and friends. We all remember one of their first sentences— "I **NEED** that!" As adults in their world, we work with them to understand the nuances of our language. They replace "NEED" with "want" . . . . . and then they become department heads at budget time.

DEMOGRAPHICS OF THE COUNTY
Source:
https://www.census.gov/quickfacts/fact/table/madisoncountyvirginia/PST045221),

Before our Board of Supervisors is overcome by the list of "needs," let's take a look at the finances of those expected to fill those "needs" with their tax dollars –the taxpayers of Madison County who elected you.

According to the Census Bureau, the 2020 population of Madison County was 13,837, up from 13,308 in 2010. The persons over 65 years old (suggesting fixed income) constitute 23% (3,182) of the population. Residents lived in 4,949 households of 2.62 people.

Of the 13,837, 9.4% (1,301) live in poverty and as reported in a recent Board of Supervisors meeting, 3,500 are on Medicaid (the working poor). Per capita income is $30,777 and Median household income was $57,895.

Owner-occupied housing unit rate, 2015-2019 was 74.50% and the median value of owner-occupied housing units, 2015-2019 was $257,900. Many of these houses were built by former generations on family farms and the basis of the current owner/occupant is minimal. Consequently, many of the inhabitants are both "dirt poor" (impoverished) and "land poor" (having substantial real estate assets but little cash).

Looking at 2022

- **For the 23% of Madisonians over 65**

$92.00	The average monthly increase in Social Security checks resulting from the 5.9% increase
($30.00)	Increase in Medicare Part B to Social Security Beneficiaries
$62.00	Net monthly increase in Social Security

https://www.cms.gov/newsroom/press-releases/cms-announces-2022-medicare-part-b-premiums#:~:text=The%20annual%20deductible%20for%20Medicare%20Part%20B%20beneficiaries,that%20place%20a%20burden%20on%20people%20with%20Medicare.

- **For all Madisonians**

Moody's Analytics, suggests that "Having inflation at 7.5% on a year-ago basis, compared with the 2.1% average growth in 2018 and 2019, is costing the average household $276 per month," said Ryan Sweet, a senior economist at Moody's.

Sweet came up with that figure by comparing prices for goods and services when inflation hit 7.5% (https://www.marketwatch.com/story/coming-up-consumer-price-index-11644498273?mod=home-page&mod=article_inline) versus how much households would have paid for those same items when inflation was 2.1%, the average in 2018 and 2019.
https://www.wsj.com/articles/higher-inflation-is-probably-costing-you-250-a-month-11644489000?mod=djemMoneyBeat_us

INFLATION —THE "TAX" GOVERNMENTS LOVE

"Inflation, is always and everywhere a monetary phenomenon," -- Milton Friedman an American economist and statistician who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis, monetary history and theory and the complexity of stabilization policy.

Governments have only three ways to fund operations. They can tax, they can borrow and they can print [but printing is the domain of the fed]. (John Steele Gordon, Inflation in the United States (Imprimis, January 2022, Volume 51, Number 1)

Past as Prologue

1933--Back in 1933, the Roosevelt administration commissioned a short film from MGM to explain why the inflation that had gripped the U.S. in the throes of the Great Depression was just fine.

A MUST SEE: https://youtu.be/JUvm9UgJBtg

Yep. All good. Nothing to see here.

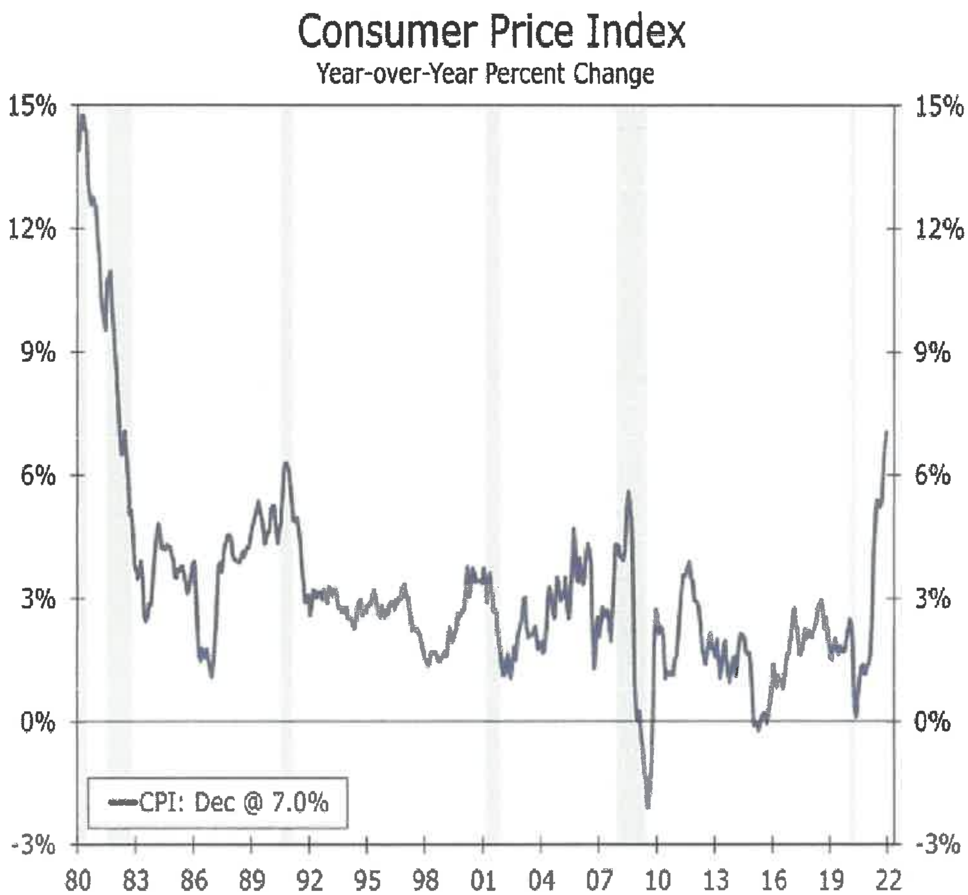
Nowadays, a different Democrat is in power, one who was actually born during the Roosevelt administration, and inflation is an issue yet again.

And now, just like in 1933, you are about to hear that inflation is good for you! Sure, you might be paying more at the gas pump and grocery store, but it's nothing to worry about. Just trust the party in power and their willing accomplices in the mainstream media. Inflation is Great Because MSNBC Says So - PJ Media

1979—Paul Volker became Chairman of the Federal Reserve
1980—Inflation rate 13.5%; unemployment 10.8%
1981—Ronald Reagan became President
--Fed sharply raised rates, recession ensued
1984—Inflation down to 4.1% where it stayed relatively low for about 40 years.

How did it happen? As Milton Friedman correctly observed, "Create too much money and you get inflation."

The common thread is that the current problems were caused by COVID-19. Not true but much of the current problems were, in fact, caused by government's REACTION to COVID-19. The following graph of Consumer Price Index year over year changes from 1980 through 2022 is instructive as are the comments and government actions from March 2020 through February 2022.



Source: U.S. Department of Labor and Wells Fargo Economics

March 2020 -- Coronavirus Aid, Relief, and Economic Security (CARES) Act—provides $1.8 trillion in direct aid to individuals and businesses, the largest stimulus package in U.S. history signed by President Trump. ($2 trillion CARES Act response to COVID-19 is equivalent to 45% of all 2019 federal spending

April 2020--"Milton Friedman isn't running the show anymore." declared Joe Biden in an interview with Politico in April 2020. "Inflation is just like alcoholism," said economist Milton Friedman. "In both cases...the good effects come first, the bad effects only come later."

2021—Biden Administration continued pandemic relief, discouraged many from seeking work, restricted oil and gas production, ignored supply chain issues all of which resulted in consumer price jump up 7% (the highest since 1981) and producer prices were up to a record 9.6% on an annual basis. The expectation of inflation is now firmly and deeply embedded in the economy

March 2021 -- President Biden signed the $1.9 trillion American Rescue Plan Act of 2021 (H.R. 1319) into law.

September 2021 – President Biden -- "My Build Back Better Agenda costs zero dollars. Instead of wasting money on tax breaks, loopholes, and tax evasion for big corporations and the wealthy, we can make a once-in-a-generation investment in working America. And it adds zero dollars to the national debt." -- 8:34 PM · Sep 25, 2021·The White House

November 2021 -- MSNBC featured an opinion piece by writer James Surowiecki in which he tells us that we don't need to worry about inflation. It's a good thing, you see, because of COVID-19 and all the government largesse that the pandemic has brought us. Surowiecki writes:

> At the same time, any discussion of inflation needs to include the context in which it's happening. Historically, recessions have left Americans poorer, not better off. But the Covid recession was different. As people shifting their habits drastically in response to the pandemic, they spent much less and saved more. Even though millions of Americans lost their jobs, enhanced unemployment benefits and stimulus payments left many of them better off, not worse. And the stock market, after initially falling, boomed.
> https://pjmedia.com/news-and-politics/chris-queen/2021/11/09/dont-you-know-that-inflation-is-a-good-thing-n1531185

December 2021 --"Today's CBO report confirms the obvious – Democrats' 'Build Back Agenda' does not cost $0 as they have been shamelessly claiming for months. But it will instead run American taxpayers $5 trillion in additional government spending, including incurring $3 trillion in new debt. Democrats' Build Back Better Will Cost $5 Trillion - House Republican Leader and Budgetary Effects of Making Specified Policies in the Build Back Better Act Permanent | Congressional Budget Office (cbo.gov)

December 2021 -- Inflation pinch challenges Biden agenda, but president says worst will soon pass
https://www.washingtonpost.com/us-policy/2021/12/10/white-house-inflation-biden/

Biden and his allies attempted to deflect mounting criticism of inflation by saying the new spending package is necessary to help Americans deal with rising costs. They said the spending package is designed to reduce families' costs on household items such as prescription drugs, housing and health care.

On Friday [December 10], Biden blamed supply chain dysfunction, not government spending, for pushing prices higher. Still, he referred to the current inflationary surge as a "real bump in the road."

"I think you'll see it change sooner, quicker, more rapidly than most people think. Every other aspect of the economy is racing ahead. It's doing incredibly well," Biden said. "But inflation is affecting people's lives."

December 2021 Larry Summers, Treasury secretary under Bill Clinton and chairman of the Council of Economic Advisors under Barack Obama, slammed the Biden administration for claiming that inflation is transitory and insisting that everything will return to normal soon.

Larry Summers, Treasury secretary under Bill Clinton and chairman of the Council of Economic Advisors under Barack Obama, had been on Joe Biden's case about inflation long before the CPI began to skyrocket.

As far back as the passage of the first pandemic relief bill in February, Summers was sounding the alarm about the Biden administration's spending causing inflation. In October, he argued that the country is "in more danger" than it was during his career "of losing control of inflation in the U.S."
https://pjmedia.com/news-and-politics/rick-moran/2021/12/15/former-obama-and-clinton-economic-advisor-slams-biden-over-inflation-again-n1541755

https://twitter.com/LHSummers/status/1470395480056250370?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1470395480056250370%7Ctwgr%5E%7Ctwcon%5Es1_&ref_url=https%3A%2F%2Fpjmedia.com%2Fnews-and-politics%2Frick-moran%2F2021%2F12%2F15%2Fformer-obama-and-clinton-economic-advisor-slams-biden-over-inflation-again-n1541755

December 2021 Janet Yellen says it's time to stop calling inflation 'transitory.'
https://www.nytimes.com/2021/12/02/business/yellen-inflation-omicron.html

January 2022 President Joe Biden went viral Monday afternoon following a hot mic moment after a White House photo-op.

As the news pool was being herded from the room, Fox News' Peter Doocy got in one last question, shouting: "Do you think inflation is a political liability ahead of the midterms?"

"No, it's a great asset. More inflation. What a stupid son of a bitch" https://www.msnbc.com/opinion/biden-cursing-fox-news-peter-doocy-was-completely-avoidable-n1287958

February 2022 During Biden's Super Bowl interview (February 13) with NBC Nightly News anchor Lester Holt, the president said regarding the increase in inflation:

> The reason for inflation is the supply chains were cut off, meaning that the products for example, automobiles, the lack of computer chips to be able to build those automobiles so they could function they need those computer chips. They were not available. So what happens? The number of cars were reduced, new cars reduced. It made up at one point, one third, the cost of inflation because the price of automobiles were up. So what I did when I went out and made sure we started to make those domestically. We got intel to come in and provide $20 billion to build a new facility. A number of organizations are doing the same kinds of things.

"Well, no. That's both simplistic and misleading asserted Steven Rattner (counselor to the Treasury secretary in the Obama administration Opinion | Biden Keeps Blaming the Supply Chain for Inflation. That's Dishonest. - The New York Times (nytimes.com)). For starters, the supply chains have not been "cut off," just stretched. And supply issues are by no means the root cause of our inflation. Blaming inflation on supply lines is like complaining about your sweater keeping you too warm after you've added several logs to the fireplace."

The bulk of our supply problems are the product of an overstimulated economy, not the cause of it.

February, 2022— CULPEPER COUNTY, Va. (WVIR) - President Joe Biden came to Germanna Community College - Daniel Technology Center Thursday, February 10, along with 7th District Representative Abigail Spanberger.

"Lowering the cost of drugs is one of the reasons why I'm here with Abigail, your congresswoman," Pres. Biden said. "That's what I wanted to talk about with you today lowering the cost of health care overall." In addition he stated that inflation will be addressed through passing his Build Back Better Bill that adds $3 (to $5) Trillion in deficit spending to the $30 Trillion debt.

https://www.nbc29.com/2022/02/10/pres-biden-visits-culpeper-co-talk-about-build-back-better-bill/

The New York Post covered the Culpeper event and reported the following:

> Biden briefly recognized new federal data showing worsening inflation in January, but he tried to turn it into a sales pitch for his stalled spending bill, which would subsidize child care and home health care, among many other initiatives.
>
> "Inflation is up. It's up. And coming from a family when [if] the price of gas went up, you felt it ... it matters," Biden said. "But the fact is that if we were able to do the things I'm talking about here, it will bring down the cost for average families."
>
> Biden claimed his bill is "fully paid for" with new taxes and therefore would not worsen inflation — despite the Congressional Budget Office saying the bill would add $367 billion in unfunded spending.and that the package would cost about $4.5 trillion and add $3 trillion in deficit spending if programs extended over 10 years, or the same period of time used to calculate new revenue.
>
> The House passed the sprawling bill with a $2.2 trillion price tag in November — but Manchin accused fellow Democrats of deceptive "gimmicks" that undercounted its true cost by making new programs last for shorter periods of time than proposed new revenue.
>
> https://nypost.com/2022/02/10/joe-biden-pushes-dead-2t-spending-bill-as-inflation-woes-cure/

February 16, 2022 The Economics Daily (TED) reported that Consumer prices are up 7.5 percent over year ended January 2022
Over the 12 months from January 2021 to January 2022, the Consumer Price Index for All Urban Consumers (CPI-U) rose 7.5 percent. This is the largest 12-month increase since the 12-month period ending February 1982. Food prices increased 7.0 percent over the past year, while energy prices rose 27.0 percent. This is the largest one month increase since 1982 (around the timeframe this section began).

https://www.bls.gov/opub/ted/2022/consumer-prices-up-7-5-percent-over-year-ended-january-2022.htm

The President has been an inflation denier until his January hot mic incident with Peter Doocy and the next month indicated in Culpeper that his "fix" was to spend $5 Trillion and lower the cost of prescription drugs.

Since the policy makers either do not know or refuse to disclose the extent of the financial distress and its likely direction, our elected officials are obligated to perform due diligence on behalf of the citizens who have elected them.

A DEEPER DIG INTO THE DATA

https://usafacts.org/articles/what-is-inflation-and-how-is-it-measured/

Core CPI is usually more stable than headline CPI because it excludes volatile food and energy categories.

Percent change in CPI-U from 12 months prior

Sources: USAFacts; Bureau of Labor Statistics. see more

	Jan 2021	Jan 2022	% Increase
Headline CPI	1.36	7.53	553.7%
Core CPI	1.39	6.04	434.5%

There are two common measures of inflation in the US today: the Consumer Price Index (CPI) released by the Bureau of Labor Statistics and the Personal Consumption Expenditures price index (PCE) issued by the Bureau of Economic Analysis. The CPI probably gets more press, in that it is used to adjust social security payments and is also the reference rate for some financial contracts.

The difference between the The Headline CPI and the Core CPI is in what is included in the "shopping cart." The Core Consumer Price Index (CPI) measures the changes in the price of goods and services, excluding volatile commodities such as food and energy. Over the short term, the core measure may give a more accurate reading of where inflation is headed, but people do buy food, fill up their gas tanks, and heat their homes, so headline inflation more accurately represents people's actual expenses.

Like the headline measures, core CPI tends to show higher inflation than core PCE. As the CPI measures price change from the perspective of the consumer. It is a key way to measure changes in purchasing trends and inflation. (The Federal Reserve, however, states its goal for inflation in terms of the PCE. PCE and CPI Inflation: What's the Difference? (clevelandfed.org))

The highest inflation in nearly 40 years, as measured with the Consumer Price Index (CPI) rising 7.0% through December, has been an unpleasant pill to swallow for *all* Americans. But while the pain has been widespread, it has not been evenly felt. The CPI calculates the *average* change in prices across the *average* consumption basket. It accounts for the fact that in any given month prices for some items rise while others fall. The variation across categories is on full display in tables, graphs, and charts detailing price changes for everything from tires to baby food to veterinarian care. Less apparent, however, is how the cost of living is changing for different consumer groups.

The reality is that consumers' purchase patterns vary widely. Not everyone owns a car, needs to feed an infant, cares for a pet, or, following the President's favorite metric, takes prescription medications. Different mixes of goods and services consumption can lead to distinct inflation experiences. The past year has seen the sharpest price rises in at least a decade, if not ever, for purchases like vehicles, food, household goods, medical equipment, hotels and housing. Gasoline prices are up 50%, while energy utilities are up 10%. Who does this inflation hurt the most?

Let's examine the data.

Gallup reports Inflation Causing Hardship for 45% of U.S. Households

	Severe hardship	Moderate hardship	Total hardship
Survey date Nov. 3-16, 2021	%	%	%
U.S. adults	10	35	45
Household income [Madison median HH income $57,895]			
Less than $40,000	28	42	71
$40,000 to $99,999	8	38	47
$100,000 or more	2	26	29
Education			
No college degree [76.6% Madisonians >25 y.o. have no college degree]	13	40	54

Inflation Causing Hardship for 45% of U.S. Households (gallup.com)

Nearly half of US households say that the recent bout of inflation is causing them some degree of financial hardship while 10 percent of American families reported experiencing "severe hardship affecting their standard of living," according to the Gallup poll.
https://news.gallup.com/poll/357731/inflation-causing-hardship-households.aspx

Some 45 percent of households said they experience either severe or moderate hardship as a result of the price increases that have roiled the economy in recent months, according to the poll.

And less educated, lower-income families were more likely to have felt the weight of the price crunch, according to the survey, which was conducted from Nov. 3 to Nov. 16, three months before the 7.5% inflation rate was announced.

Among those living in households making less than $40,000 a year, 71 percent said the recent price hikes have caused their family financial hardship, compared with just 47 percent of those in middle-income households and 29 percent in upper-income households.

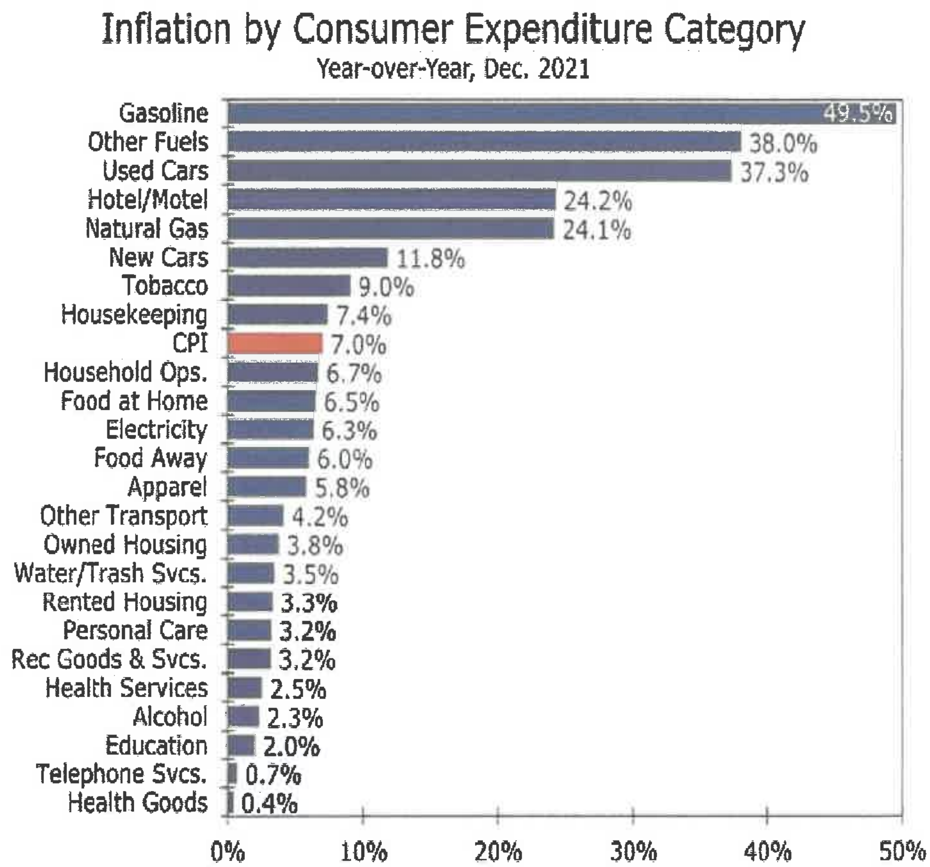
This poll suggests that Madison will be hit harder than most. First, only 23.4% of Madisonians over 25 years old have college degrees. The Gallup survey found 54% without college degrees (75.6% of Madisonians) were experiencing Moderate to Severe hardship.

Regarding income levels, Madison is also experiencing hardship. The Median (not the average) income in the county is $57,895 (meaning that half the households make less and half make more than $57, 895) and per-capita income is $30,777. The mean household income is not available in current census data.

The data for this survey was collected in November 2021, before the Inflation / CPI increases were announced this month.

The estimation of Ryan Sweet of Moody's Analytics that the average U.S. household is paying $276 per month more than it did before inflation soared so high has been discussed. Bear in mind that this figure is an average. Families who have spent more money on products whose prices have increased more than 7.5% are taking a bigger hit.

Wells Fargo and the U.S. Department of Labor measured the price increase of various categories of goods over the past year. (This study was released at the end of January, so it reflects a Consumer Price Index increase of 7% as opposed to 7.5%.)



Source: U.S. Department of Labor's Annual Consumer Expenditure Survey (CES) and Wells Fargo Economics

The past year has seen the sharpest price rises in at least a decade, if not ever, for purchases like vehicles, food, household goods, medical equipment, hotels and housing. Gasoline prices are up 50%, while energy utilities are up 10%. Who does this inflation hurt the most?

The Wells Fargo Economics studies demonstrate that the inflation rates differ among income groups, race, location, etc. For lower income households, options of addressing price increases are limited. Consequently, the *experienced* inflation is likely higher than the *measured* inflation. They will likely draw down savings, forego purchases, etc. (Special Commentary – January 31, 2022, Inflation: Same Storm, Different Boats, Wells Fargo Economics https://wellsfargo.bluematrix.com/links2/pdf/ba57c066-dab6-42a5-8ecc-18542d27010e)

A few items need to be noted.

- First, housing (rent or purchase) costs have yet to work their way into the Consumer Expenditure numbers and they are expected to be significantly higher.
- Next, Inflation rates are higher among geographic regions, viz,
  - Midwest: 7.9%
  - South: 7.8%
  - West: 7.7%
  - Northeast: 6.3%

  Here's Where Inflation Is Worst in America | Nasdaq

- Finally, inflation is playing out differently in rural areas and the CPI doesn't necessarily reflect rising prices there. The CPI captures how much consumers in urban areas spend on goods and services, with the key word being "urban." It misses some of the nuance of rural life. Households in rural places spend their money differently than households in cities.
  https://www.marketplace.org/2022/02/09/inflation-hits-harder-in-rural-areas/

  - Houses are typically older, larger, and less well insulated causing greater heating and cooling costs
  - People in rural areas must drive further and more often than their urban counterparts for routine trips to school, for fuel, for groceries, etc.
  - Rural households are paying an average of 5.2 percent more of their post-tax income because of inflation, compared to 3.5% of metropolitan households.
  - Inflation has hurt lower-income families, families of color, and rural households more than other demographics, according to a Bank of America research report from November 2021.
  - African American, Hispanic, and Latino households spent 7.1 percent of their post-tax income on energy, compared to 5.4 percent spent by other demographics.
  - 12.5 percent of their income was spent on food, compared to 11.1 percent for everyone else.
  - This includes 4 percent for African American, Hispanic, and Latino groups, compared to 2.9 percent for everyone else.
  - Rural America has been feeling the effects of workers leaving their jobs. Many business owners are working around the clock to keep things open.
  - These groups have less income, and are therefore more "exposed" to higher inflation, Bank of America said. In 2019, the average income for rural households was $ 61,800,

compared to $85,000 in urban areas, according to the Bureau of Labor Statistics.

- In addition to having less money to spend, rural households are also spending more money on the goods that have seen the biggest price increases this year, such as food, energy, cars and household appliances, Bank of America found.
- Rural residents also generally spend more on transportation because they travel longer distances, said Jane Kolodinsky, director of the Center for Rural Studies at the University of Vermont. That increases the cost of shipping food, fuel and other goods to rural consumers, making those items more expensive, she noted.
- Those factors, combined with the typically lower incomes of rural Americans, mean that these consumers spend a larger portion of their budget on daily expenses.

https://business.bofa.com/en-us/content/market-strategies-insights/global-economy-outlook-and-forecast.html.

Energy costs account for more than 8% of a typical rural family's budget, compared to 5.6% for an urban household, Bank of America found. Rural Americans spend on average more than 10% on new and used cars, compared to 5.8% for city dwellers, and slightly more on food – 12.5% versus 11.4%, according to the BofA analysis.

Energy costs deserve special attention and fortunately, specific information is available for Virginia. The following graphs show several years of heating oil, propane and gasoline costs and charts indicate the spikes in residential heating oil, propane, and gasoline and diesel costs for the past two months.

https://www.eia.gov/dnav/pet/pet_pri_wfr_a_EPD2F_PRS_dpgal_w.htm

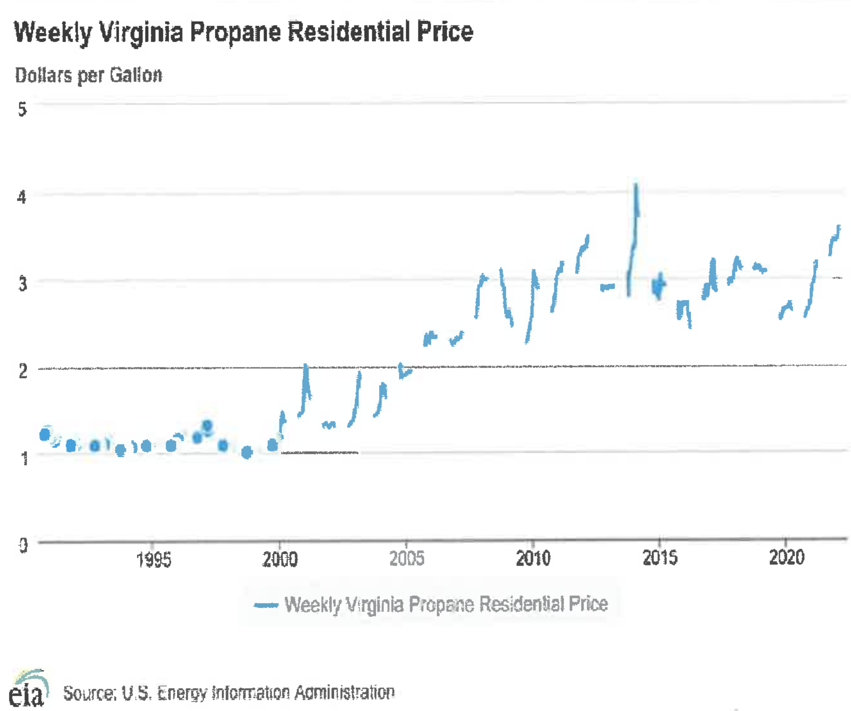
Weekly Heating Oil Prices

	01/10/22	01/17/22	01/24/22	01/31/22	02/07/22	02/14/22	View History
U.S.	3.460	3.600	3.671	3.776	3.891	3.960	1990-2022
Lower Atlantic (PADD 1C)	3.327	3.418	3.453	3.529	3.623	3.687	1990-2022
Virginia	3.393	3.478	3.511	3.569	3.645	3.700	1990-2022

Weekly Propane Prices

	01/10/22	01/17/22	01/24/22	01/31/22	02/07/22	02/14/22	View History
U.S.	2.705	2.724	2.744	2.775	2.826	2.838	1990-2022
Virginia	3.429	3.445	3.461	3.472	3.551	3.574	1990-2022

Residential Propane Weekly Heating Oil and Propane Prices (eia.gov)



weekly VA Residential Propane.pdf

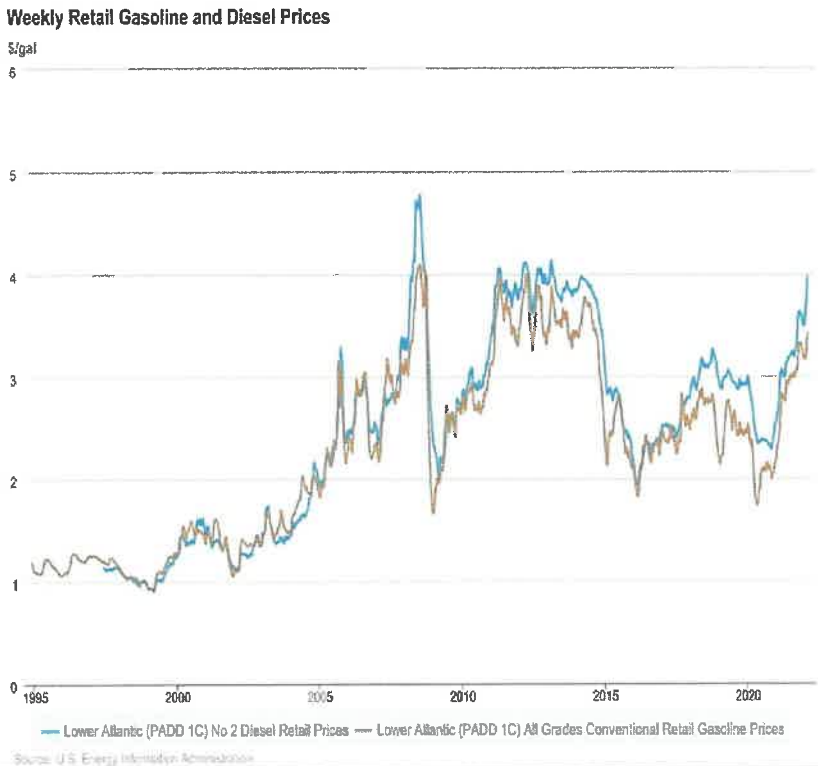
https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=W_EPLLPA_PRS_SVA_DPG&f=W

Weekly Retail Gasoline and Diesel Prices

Area: Lower Atlantic (PADD 1C) **Period:** Weekly

Dollars per Gallon, Including Taxes)	01/10/22	01/17/22	01/24/22	01/31/22	02/07/22	02/14/22	View History
Gasoline - All Grades	3.167	3.197	3.210	3.292	3.380	3.427	1993-2022
All Grades - Conventional Areas	3.162	3.194	3.206	3.290	3.377	3.422	1994-2022
Diesel (On-Highway) - All Types	3.547	3.624	3.686	3.761	3.896	3.980	1997-2022
Ultra Low Sulfur (15 ppm and Under)	3.547	3.624	3.686	3.761	3.896	3.980	2007-2022

https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_r1z_w.htm https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.eia.gov%2Fdnav%2Fpet%2Fxls%2FPET_PRI_GND_DCUS_R1Z_W.xls&wdOrigin=BROWSELINK



file:///C:/Users/river/Documents/My%20Organizations/Madison-Matters/Budget/2023/chart%20gasoline%20and%20diesel%20prices.pdf

Not a pretty picture and there is no credible suggestion that it will soon end. The Administration just recently acknowledged the existence of inflation and propose spending our way out of it. If a mask could prevent the spread of that virus, we would all don them – except the folks coming to you asking for money.

SCHOOL BUDGET PROPOSAL

Let's look at the proposed School Budget as an example.

Madison County Public Schools Superintendent Anna Graham presented her proposed Fiscal Year 2023 budget to board members and the public on Monday 14 February. It calls for $25,460,364, an increase of $3.875 million over FY22 but asks for level funding of $9,692,040 from the county (property tax), relying on other funding sources (Federal and State Government) to provide the remaining $15,768,324 (61.9%).

In November, 2011 The Madison Eagle printed an op ed *MC finances at tipping point?* In the article regarding the dangers ahead owing to the vagaries of Intergovernmental Financial Dependency (counties relying on federal and state funding, states relying on federal funding and the importance of recognizing the sustainability of those funding sources) noted:

> In the recently passed 2012 budget, federal and state contributions accounted for almost $10 million of the $42 million budget. We heard at the candidate's forum that "The county is fiscally strong." That statement is not supported by the facts.
>
> * * *
>
> **Conclusion**
>
> The fiscal situation at the federal-state and state-local levels are deeply entangled. Solving a problem at one level merely moves that same problem down to the localities. The revenue shortfall we are facing will result in either significant tax increases or budget cuts or both.
>
> Your elected officials and county employees should have knowledge of the sea change of funding changes so that they will not be overcome by a tsunami. A new approach and structural changes to our government is required, and the mindset of the citizens as to what they expect from government and what they are willing to pay for must come into sharp focus. More importantly, our elected officials must necessarily be up to the job.

In that 12-year period, the $10 Million Federal and State "contribution" to the budget has been eclipsed by the $15.8 Million Federal and State "contribution" to the school budget alone. (I am mildly curious as to the resources spent on administration vs instruction,)

And what have those resources produced. The only metric I can locate is the Standard of Learning (SOL) test results provided by the State Board of Education VDOE :: SOL Pass Rates Results & Other Results (virginia.gov). The attached chart, **2015-2021 SOL Test Results** reflect solid mediocracy from 2015 – 2018 and the scores tanked after the 2019--2021 education vacation.

Addressing whether the scores are structural or the result of inadequate instruction curriculum is not at issue. What is at issue is simply –

1. What is the Madison County School System's backup plan for the coming shortfall from the federal and state government and

2. What is the county's backup plan for the coming shortfall from the federal and state government?

CONCLUSION

Based on the analysis in this document, I would be hesitant to rely on county property taxes as a backup plan for the coming shortfall from the federal and state government. Clearly, Madison cannot rely on a *Deus ex machina* and there is no magic rabbit in the hat. We must address the issues now or see the fabric of our society torn asunder by the profligate spending proposed.

I welcome your questions.

2015-2021 SOL Test Results: Division by Subject and Subgroup

Subject	Subgroup	2015-2016 Pass Rate	2016-2017 Pass Rate	2017-2018 Pass Rate	2018-2019 Pass Rate	2019-2020 Pass Rate	2020-2021 Pass Rate	% Increase (Decrease) 2018--2021
English: Reading	All Students	73	72	72	70		56	20%
Mathematics	All Students	78	78	75	80		35	56%
Science	All Students	79	82	72	77		43	44%
English: Reading	Asian	<	<	<	<			
Mathematics	Asian	<	<	<	<		<	
Science	Asian	<	<	<	<		<	
English: Reading	Black	51	51	55	56		29	48%
Mathematics	Black	65	63	63	70		10	86%
Science	Black	56	70	57	63		17	73%
English: Reading	Economically Disadvantaged	59	61	60	58		43	26%
Mathematics	Economically Disadvantaged	67	70	68	74		21	72%
Science	Economically Disadvantaged	69	73	62	68		29	57%
English: Reading	English Learners	<	<	<	<		31	
Mathematics	English Learners	<	<	<	<		38	
Science	English Learners	<	<	<	<		<	
English: Reading	Female	74	74	73	72		60	17%
Mathematics	Female	79	80	76	82		35	57%
Science	Female	78	82	72	74		43	42%
English: Reading	Hispanic	80	81	72	69		53	23%
Mathematics	Hispanic	84	89	78	77		34	56%
Science	Hispanic	82	88	47	63		29	54%
English: Reading	Male	71	70	71	69		53	23%
Mathematics	Male	76	77	74	77		36	53%
Science	Male	80	83	73	79		43	46%
English: Reading	Students with Disabilities	37	31	29	33		19	42%

Mathematics	Students with Disabilities	44	45	39	45		15	67%
Science	Students with Disabilities	41	59	35	36		17	53%
English: Reading	White	74	74	73	72		60	17%
Mathematics	White	79	79	76	81		40	51%
Science	White	81	84	75	80		49	39%

SOL test results for 2020-2021 reflect reduced student participation in state assessments due to COVID-19 and other pandemic-related factors. Variations in participation rates and learning conditions should be considered when reviewing 2020-2021 assessment data. VDOE :: SOL Pass Rates Results & Other Results (virginia.gov)

http://www2.madison-news.com/news/2011/nov/03/mc-finances-tipping-point-ar-1433272/

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MC finances at tipping point?

By Jim Smith

While it has been frequently stated that if you spend 15 minutes a year thinking about the economy, you have wasted 13 minutes. As election day nears, let's spend a couple of minutes to examine both the expected funding shortfall as well as the added expenditures facing those of us who are affected by the Madison economy and reflect on the candidates and our vote.

Source of funds

Prior to the mid-1960s, the Feds, States and localities generally tended their own gardens, but that model died with the intergovernmental funding advanced in the Nixon Administration. There have been ups, downs and even crises in the past 40 years, but the changes to local funding from federal and state sources that we are currently facing are not cyclical; they are structural.

Funding for the county government comes from internal and external sources. External sources are primarily the federal and state government, but a small amount comes from grants, taxes, fees, fines and other items. We, the citizens of the county, fund the bulk of the government's operations through local taxes with property taxes being the most significant contributor.

In the recently passed 2012 budget, federal and state contributions accounted for almost $10 million of the $42 million budget. We heard at the candidates forum that "The county is fiscally strong." That statement is not supported by the facts.

Federal funds

The federal finances are abysmal. This should not surprise us since, for the past 40 years, the Feds have operated with:

- Negative annual cash flows.
- Borrowing to meet current cash needs — from Americans and foreign governments.
- Borrowing from Social Security, Medicare and other "Trust Funds".
- Not linking borrowing to the creation of long-term assets — thus not promoting intergenerational equity.
- Ignoring life-cycle costs of infrastructure,
- Funding federal pension obligations on pay-as-you-go basis.
- Not pre-funding long-term obligations under Social Security and Medicare.

Of the 233 pages of the 2010 *Financial Report of the United States Government*, perhaps the most important sentence is ***"[t]he projections in this Report indicate that the trajectory of current policy is not sustainable***."

To start fixing this 40-year problem that was only worsened by the ongoing 2008 financial crisis, the Budget Control Act of 2011 requires Congress to enact at least $2.1 trillion in deficit reduction from 2010 - 2021. Even with this cut, the General Accountancy Office models indicate that U.S. debt in 2027 will equal 109 percent of the U.S. Gross Domestic Product. Therefore, the cuts must be much greater than $2.1trillion. Separate from the Budget Control Act cuts, last year the Federal budget for Medicaid was cut by $103 billion and education was cut by $40 billion -- monies that must be made up by the States.

State funds

Now let's look to Richmond, the greatest outside contributor to our budget. Last year Edward J. Mazur, a fellow CPA in Richmond, reported on an extensive study he directed addressing dependency of State governments on the federal government. His findings were alarming, indicating that in 2009, almost 27 percent of the revenues and almost 37 percent of the Gross State Product of the Old Dominion were from the "unsustainable" federal government.

Furthermore, he found that federal assistance to Virginia cities averaged almost 25 percent of their budgets. To put this into perspective, Virginia ranks sixth in the nation for highest percentage of government employees.

Unfortunately, Virginia's dependence on the federal government for such a significant portion of its funding is not the whole problem as the legislature has played the same financial folly as the Feds -- borrowing from designated funds such as the state pension, assuming unrealistically rosy projections for fund growth, delaying routine maintenance, etc. Federal "stimulus" funds filled the gap for the States, but those funds ended this year.

The school budget could be hard-hit. In this week's news, we find that owing to this chicanery with the state pension, contributions to the fund for teacher salaries will be 16.77 percent of their salary next year. This year's contribution was 6.4 percent.

As teachers are funded by the localities, Madison will be responsible for this "make-up" funding contribution. In addition, the $400,000 federal funding to the education budget last year will, in all likelihood, not be available next year.

For the 2012 budget year, the state provided funding for each of the constitutional officers through the State Compensation Board and the schools through a formula known as the local composite index or LCI. This totaled about a fourth of the Madison budget. With the statutory requirement to balance state budgets and the end of so-called" stimulus" funds from the federal government this year, the localities will be required to fund a greater portion of these costs.

How have the counties managed this shortfall? Last week a national newspaper (*Budget Cuts Claim Hundreds Of Thousands Of County, City Jobs,* USA Today, Oct. 19) reported that since January 2010, states have trimmed 51,000 positions (less than 1 percent of their workforce) and localities have cut 406,000 jobs or 3 percent of their workforce, and experts suggest that we will likely see an additional 800,000 cuts with 80 percent coming from localities! Based on a 2010 survey, the National Association of Counties reported that:

- About 46 percent of counties attributed their revenue woes to declines in state funding, the leading cause they cited. Those numbers will likely increase.
- Despite local governments' continued struggles with revenue shortfalls, the overwhelming majority of counties is not raising sales and property tax and instead is opting to reduce personnel costs and dip into savings (if they have savings).
- More than half the counties have instituted furloughs. Salary freezes, hiring freezes and restrictions on employee travel are also common. Fifty-three percent of respondents have fewer staff today than they did in the 2010 fiscal year.
- In non-personnel initiatives, counties are delaying capital investments, purchases and repairs.

For their revenues, localities depend primarily on property tax and state aid. However, property taxes as a source of revenue are declining with the declining values in the housing market and the overall effect of the economy. Listening to the public comment in the recently passed budget, it was clear that Madisonians have no appetite for increased property taxes.

Conclusion

The fiscal situation at the federal-state and state-local levels are deeply entangled. Solving a problem at one level merely moves that same problem down to the localities. The revenue shortfall we are facing will result in either significant tax increases or budget cuts or both.

Your elected officials and county employees should have knowledge of the sea change of funding changes so that they will not be overcome by a tsunami. A new approach and structural changes to our government is required, and the mindset of the citizens as to what they expect from government and what they are willing to pay for must come into sharp focus. More importantly, our elected officials must necessarily be up to the job.

Clearly, this problem is larger than any individual. Vote wisely and be prepared to work after the election.

(Guest columnist Jim Smith is a CPA from Brightwood who has been a partner/principal in two international accounting firms. He teaches advanced finance at the graduate level and continues to consult in matters of tax law, finance and cooperative issues. His e-mail address us jimsmith@vabb.com.)